

**Before the State of South Carolina
Department of Insurance**

In the Matter of:

**Catawba Insurance Company,
Consolidated American Insurance
Company,
South Carolina Insurance Company,**

1501 Lady Street
Columbia, South Carolina 29201.

**Order
Lifting Administrative Supervision
And Relieving Supervisor**

The South Carolina Department of Insurance (the Department) brings this matter before me upon review of the business affairs and operations of the Seibels Bruce Group, Inc. (Seibels Bruce) and three of its subsidiaries, Catawba Insurance Company (CIC), Consolidated American Insurance Company (CAIC), and South Carolina Insurance Company (SCIC).

STATEMENT OF THE CASE

My August 20, 2002, Order Imposing Administrative Supervision (the Order) placed Seibels Bruce, CIC, CAIC, and SCIC (the Companies) under the Department's administrative supervision because the Companies were in hazardous financial condition and their continued operation without that action would have been hazardous to the public. This situation arose principally because of a transaction the Companies had entered into with Human Dynamics Corporation (HDC).

The Order specified that the Companies would remain under the Department's administrative supervision for at least six months and until the Companies had demonstrated to the Department's satisfaction that the conditions which made that action necessary had been abated. The Order specified three conditions the Companies had to meet before administrative supervision could be lifted.

1. Provide to the Department pro-forma balance sheets, income statements, and other essential information on projected writings related to the HDC program. Moreover, the Companies must retain a qualified actuary to calculate loss reserves, including loss adjustment expenses and losses incurred but not reported in the HDC program; as well as a firm to audit the premiums charged for these policies to ensure they properly reflect the risk involved;

2. Secure adequate and appropriate reinsurance coverage, funds withheld agreements, or other financial devices such that the working layer of the HDC program does not exceed 10% of the Companies' total capital and surplus; and
3. Ensure their books and records are located in South Carolina, are in current condition, and accurately reflect its financial affairs and policy liabilities, particularly those of the HDC program.

It is the Department's opinion that the Companies have met each condition. It is also the Department's opinion that the conditions which made the administrative supervision necessary have abated.

FINDINGS OF FACT

1. The Companies have provided to the Department the documentation required, including pro-forma balance sheets, income statements, and actuarial opinion, and they have completed the audit using an outside firm.
2. The HDC workers' compensation policies which necessitated my imposing administrative supervision all expired on December 31, 2002. None were renewed. The Companies have adequate reinsurance and now are in compliance with South Carolina law.
3. The Companies have filed annual statements that accurately reflect the financial affairs of the companies, including the HDC program.

CONCLUSIONS OF LAW

After a thorough review of the matter and giving consideration to the Companies compliance with the Order of Supervision, I hereby conclude as a matter of law:

1. The Companies have complied with Departmental requirements.
2. The Companies are no longer in substantial financial risk from the HDC program as premiums have been estimated and collected and escrow agreements have been created to handle paying claims.
3. The Companies appear to be in compliance with Arizona and California law regarding payment of workers' compensation claims.

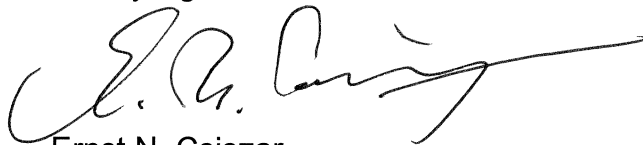
ORDER

IT IS THEREFORE ORDERED that the companies are released from the Department's supervision pursuant to the Administrative Supervision of Insurers Act. S.C. Code Ann. §§ 38-26-10, *et seq.* (2002).

IT IS FURTHER ORDERED that Dean F. Kruger, the Department's Property and Casualty Director, is relieved from the responsibilities of Interim Supervisor of the Companies given to him in the Order.

Pursuant to § 38-26-50 (D) of the South Carolina Code, a copy of this order shall be immediately transmitted to the National Association of Insurance Commissioners and to the insurance departments of all states in which the Companies transact business.

This order becomes effective on the date of my signature below.

A handwritten signature in black ink, appearing to read "E. N. Csiszar", with a long horizontal flourish extending to the right.

Ernst N. Csiszar
Director

20 May 2003
Columbia, South Carolina